

Message Text

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PAGE 01 TOKYO 02455 190916Z

21

ACTION EA-09

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INFO AMEMBASSY BERN

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AMEMBASSY BRUSSELS

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AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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DEPT PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN JANUARY - PROVISIONAL

1. SUMMARY: ADVERSE SEASONAL INFLUENCES, PARTICULARLY ON
JAPAN'S FOREIGN TRADE, BROUGHT USUAL DETERIORATION IN JAN
AND RESULTED IN LARGE \$1.0 BIL DEFICIT ON CURRENT ACCOUNT
AND \$1.1 BIL OVERALL DEFICIT, ACCORDING TO PRELIMINARY

MOF B/P STATISTICS. DESPITE DETERIORATION IN OVERALL
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PAGE 02 TOKYO 02455 190916Z

BALANCE, OFFICIAL SETTLEMENTS' BALANCE IMPROVED SUB-

STANTIALY DUE TO REVERSAL IN FLOW OF SHORT-TERM COMMERCIAL BANKS' FUNDS. JAPAN'S OFFICIAL RESERVES INCREASED BY \$338 MIL DURING JAN AFTER FIVE CONSECUTIVE MONTHS OF DECLINE, AND THE YEN STRENGTHENED AGAINST DOL IN TOKYO FOREX MARKET TOWARD END OF JAN. END SUMMARY.

2. UNADJUSTED TRADE BALANCE MOVED TO \$560 MIL DEFICIT IN JAN FROM \$1,122 MIL SURPLUS IN PRIOR MONTH, REFLECTING USUAL SEASONAL DECLINE IN JAPAN'S EXPORTS. AFTER SEASONAL ADJUSTMENT, HOWEVER, JAN TRADE BALANCE REMAINED IN SURPLUS AT \$428 MIL, ONLY \$16 MIL LESS THAN DEC SURPLUS. SEASONALLY ADJUSTED EXPORTS (F.O.B.) INCREASED \$46 MIL (UP 0.9 PERCENT OVER DEC 75) TO \$4,913 MIL IN JAN; ADJUSTED IMPORTS (F.O.B.) ROSE MORE SHARPLY THAN EXPORTS BY \$62 MIL (UP 1.4 PERCENT) AND TOTALED \$4,485 MIL.

3. NET PAYMENTS FOR SERVICES AND TRANSFERS WERE \$480 MIL IN JAN, REMAKNING AT USUAL MONTHLY LEVEL. AS RESULT, CURRENT BALANCE RECORDED LARGE \$1,040 MIL DEFICIT IN CONTRAST TO \$651 MIL SURPLUS REGISTERED IN PRIOR MONTH.

4. LONG-TERM CAPITAL RECORDED SMALL NET OUTFLOW OF \$80 MIL IN JAN AS COMPARED TO \$132 MIL NET OUTFLOW IN PRIOR MONTH. EXPORTS OF JAPANESE CAPITAL DECLINED SHARPLY BY \$100 MIL TO \$300 MIL. OVERSEAS DIRECT INVESTMENT AND LENDING ABROAD BY JAPANESE ENTERPRISES WERE LESS ACTIVE THAN IN USUAL MONTH WHILE COLLECTION OF PREVIOUSLY EXTENDED TRADE CREDIT SLIGHTLY EXCEEDED NEW CREDIT DISBURSEMENTS IN JAN. ON THE OTHER HAND, INFLOW OF FOREIGN CAPITAL ALSO SLOWED DOWN IN JAN, ROUGHLY \$50 MIL BELOW DEC LEVEL. NET INFLOW THROUGH BOND ISSUES ABROAD BY JAPANESE ENTERPRISES WAS \$93 MIL IN JAN, ONLY ONE-HALF OF \$196 MIL NET INFLOW IN PRIOR MONTH. FOREIGN PURCHASES OF JAPANESE OUTSTANDKNG SECURITIES (BOTH STOCKS AND BONDS) EXCEEDED SALES BY \$70 MIL IN JAN IN CONTRAST TO NET FOREIGN SALES OF \$3 MIL IN DEC 75.

5. OVERALL BALANCE REGISTEREED LARGE \$1,060 MIL DEFICIT IN JAN IN CONTRAST TO \$613 MIL SURPLUS IN PRIOR MONTH. HOWEVER, LARGE OVERALL DEFICIT WAS ENTIRELY FINANCED BY UNCLASSIFIED

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PAGE 03 TOKYO 02455 190916Z

INCREASE N NET INFLOW OF SHORT-TERM COMMERCIAL BANKS' FUNDS OF \$1,270 MIL, WHICH IS A REVERSAL FROM \$760 MIL OUTFLOW RECORDED IN DEC 75. AS RESULT, OFFICIAL SETTLEMENTS' BALANCE MOVED TO \$210 MIL SURPLUS IN JAN FROM \$147 MIL DEFICIT IN PRIOR MONTH. PUBLISHED OFFICIAL RESERVES INCREASED \$338 MIL FROM DEC 75 TO \$13,153 MIL IN JAN AFTER FIVE CONSECUTIVE MONTHS OF DECLINE. GOLD AND FOREIGN EXCHANGE TOTALED \$11,740 MIL, GOLD TRANCHE \$894 MIL, AND

SDR'S \$519 MIL. OFFICIAL SHORT-TERM LIABILITIES ALSO INCREASED AS FOREIGNERS PURCHASED \$128 MIL OF GOJ TWO-MONTH TREASURY BILLS FOR ARBITRAGE REASONS. THAT WAS SUBSTANTIALY LESS THAN SIMILAR PURCHASES LAST MAY OF \$510 MIL.

6. THE YEN STRENGTHENED AGAINST DOL FROM 306.05 YEN/DOL TO 303.40 YEN/DOL TOWRD END OF JAN AT SPOT MARKET AND FORWARD YEN/DOL RATES OVED TO PREMIUM AGAINST SPOT RATES.

7. FOLLOWING ARE PRELIMINARY MOF DATA ON JAN BALANCE OF PAYMENTS IN MIL DOLS (IMF BASIS, NOT SEASONALLY ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR DECREASE IN PAYMENTS ARE SHOWN AS PLUS: QUOTE MIN UNQUOTE INDICATERWWUQFBOE:

	JAN 76	DEC 75	
	PROV	SIONAL	REVISED CHANGE
(1) CURRENT BALANCE	MIN 1,040	651	MIN 1,691
TRADE BALANCE	MIN 560	1,122	MIN 1,682
EXPORTS	3,570	5,797	MIN 2,227
IMPORTS	MIN 4,130	MIN 4,675	545
SERVICES AND			
TRANSFERS	MIN 480	MIN 471	MIN 9
(2) LONG-TERM			
CAPITAL	MIN 80	MIN 132	52
(3) BASIC			
BALANCE	MIN 1,120	519	MIN 1,639
(4) NON-MONETARY			
SHORT-TERM			
CAPITAL AND			
ERRORS AND			
OMISSIONS			
COMBINED	60	94	MIN 34
(5) OVERALL			
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PAGE 04 TOKYO 02455 190916Z

BALANCE	MIN 1,060	613	MIN 1,673
(6) COMMERCIAL BANKS			
SHORT-TERM NET			
POSITION	1,270	MIN 760	2,030
(7) OFFICIAL SETTLE-MENTS			
BALANCE	210	MIN 147	357

8. SEASONALLY ADJUSTDED TRADE DATA (IMF BASIS) AS FOLLOWS:

	JAN 76	DEC 75	
	PROVISIONAL	REVISED	CHANGE
EXPORTS	4,913	4,867	46
IMPORTS	MIN 4,485	MIN 4,423	MIN 62
BALANCE	428	444	MIN 16

9. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO
DOL BASIS WERE 304.73 YEN PER DOL FOR JAN 1976 AND
305.60 YEN PER DOL FOR DEC 75.
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